

# The Complex Nature of Saving

NC-1172 (2008-2013)

## *Few Americans Save Money, Leaving Families and Communities Vulnerable*



Insufficient personal savings can have adverse consequences for communities. For example, housing foreclosures can lead to displaced residents and lower property values in the area. Vacant homes can also be magnets for illicit behaviors like theft and vandalism (photo courtesy of BasicGov Flickr). Furthermore, if individuals do not save for future expenditures, they may be dependent upon others, such as government programs or family members, for their expenses. Americans are increasingly worried about the risks of reduced social benefits and higher taxes as governmental agencies strive to balance their budgets.

affect savings behavior? Why are some people avid savers, but others struggle to set aside any money for tomorrow?

Financial security is the cornerstone of prosperous communities, nurturing neighborhoods, and strong families, but individuals typically save less than one percent of their disposable income. Without a financial cushion, families have little protection against unemployment, long-term illness, disability, or death, and many families are not able to save enough money to meet their needs after retiring.

Insufficient savings can also have adverse effects on communities. Home and business ownership are important parts of community vitality and economic stability, but are difficult to achieve without savings. Furthermore, loan default and bankruptcy, which are more likely among those without savings, shift the burden of economic downturn to the community.

To ensure the well-being of American families and communities in the long run, we need to understand the complexities of savings behavior. How do socialization, personality, and demographic and environmental factors



Photo courtesy of <http://www.401kcalculator.org>.

### *Multistate Research Project Stimulates Savings Behavior, Financial Security*

Over the past five years, researchers participating in multistate research project NC-1172 have collaborated on studies about savings behavior among low- and middle-income families in the U.S. Research findings have stimulated new programs, educational materials, workshops, and other resources that help people acquire the knowledge, skills, and motivation to achieve financial security. By encouraging changes in attitudes toward saving and savings behaviors, this research has improved financial stability for low- and middle-income families with notable improvements among specific populations such as women, college students, Native Americans, legal immigrants, and migrant workers. These financially secure families have boosted their local economy and community vitality by owning homes, starting businesses, and avoiding bankruptcy.

### *Research & Extension Highlights*

To gather data on savings behavior, NC-1172 researchers designed a questionnaire for low- and middle-income households. Using survey responses (about 900 total), researchers evaluated the impact of socialization factors, financial knowledge, environment, economic circumstances, psychological factors, and demographics on savings behavior. Here's what they found:

Adults were more likely to save regularly or have a savings account if they

- Had higher levels of education
- Had higher levels of gross income and net worth
- Practiced financial management behaviors (making spending plans, having written goals, and monitoring spending)
- Used multiple sources of information for financial planning, particularly professional financial planners
- Had discussed money with parents as a child
- Had no perceived barriers (such as access to financial services)
- Had low levels of anxiety

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Researchers also coordinated workshops on personal financial planning and coaching for specific audiences including parents and children, college students, and women and published numerous journal articles, conference proceedings, and Extension publications. Topics included:

- Attitudes and behavior around personal savings after the 2008 Great Recession
- How distrust and anxiety affect savings behavior
- How marital quality affects financial distress
- Generational differences in financial literacy in Hmong immigrant families
- Financial literacy and brand preference among college students
- How the availability of a car affects the expenses of older adults
- How financial resources and family environment affect farmers' exit decisions
- How personal financial management and bank relationship affect small business productivity
- Consequences of living off credit cards



NC-1172 researchers found that adults who practiced financial management behaviors such as making spending plans, having written goals, and monitoring spending were more likely to have a savings account and to save money regularly. Photo courtesy of <http://401kcalculator.org>.

## Want to know more?

The NC-1172 project was supported, in part, through USDA's National Institute of Food and Agriculture by the Multistate Research Fund (MRF) established in 1998 by the Agricultural Research, Extension, and Education Reform Act (an amendment to the Hatch Act of 1888) to encourage and enhance multistate, multidisciplinary research on critical issues that have a national or regional priority. Additional funds were provided by contracts and grants to participating scientists. For more information, visit <http://ncra.info/>.

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This Impact Summary was compiled and designed by Sara Delheimer.



Contact your local SDSU Extension Family Resource Management Specialist  
 To inquire about education opportunities near you, SDSU Extension is an America Saves Campaign partner, supports South Dakota Saves resources.

Welcome to South Dakota Saves

That 'someday' to start saving or add more to your savings has come! South Dakota Savers set financial goals, track their spending, and take control of their financial future. Visit our Extension sessions to power up your savings -- start small but THINK BIG! Don't wait any longer... [enroll in South Dakota Saves today!](#)

Set a Goal. Make a Plan. Save Automatically.



South Dakota Saves, a program developed based on NC-1172 research, has helped families and individuals learn practical savings behaviors and provided tools and strategies to help them meet their money-saving goals. Screenshots from <http://www.southdakotasaves.org/>.

## THE PLEDGE

I

pledge to save money, reduce debt, and build wealth over time.

I will encourage my family and friends to do the same.

## SET A GOAL AND MAKE A PLAN

I wish to reach a savings goal in order to:

I pledge to save

\$  for  months.

At the end of this time I will have saved

\$  (per month)

to reach my savings goal.